

MACRO DAILY

26 May 2020

Macro developments

- According to news reports, direct tax collections in FYTD21 (till 23 May) eased to Rs 916.5bn compared with Rs 1.1tn in the same period last year. However, net tax collections rose by 39% to Rs 754bn as refunds declined sharply to Rs 162.4bn in FYTD21 versus Rs 516.6bn in FYTD20. In FY20, government has missed the revised direct tax collection target of Rs 11.7tn by ~Rs 1.42tn, thus registering a decline of 9.6% in the year.
- As per news reports, India's exposure to US government securities has fallen to US\$ 156.5bn in Mar'20 compared with record high level of US\$ 177.5bn in Feb'20. The current holding is also at its 11-month low. This was on the back of volatility in INR (depreciated by 4.5% in Mar'20) amidst COVID-19. Investment in foreign securities is part of RBI's prudential liquidity management framework.
- Bank of Japan's governor reiterated bank's commitment to tackle the impact of COVID-19 pandemic through different measures. These will include changing rates for its yield curve control program and even expanding its lending programs wherever required. Monetary easing steps such as lowering rates, raising ETF buying could be used if necessitated.

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Markets

- **Bonds:** Global yields closed mixed amidst easing lockdown restrictions and rising political tensions in Hong Kong, Venezuela and trade dispute between US-China. US 10Y yield fell by 1bps (0.66%). Crude prices rose by 1.1% (US\$ 36/bbl). India's 10Y yield fell by 7bps (5.96%) supported by RBI's emergency rate cut of another 40bps. It is trading at 5.94% today.
- **Currency:** Except GBP and AUD, other global currencies closed lower. DXY rose by 0.5% as US-China conflict escalated after China announced plans to impose a national security law in Hong Kong. EUR and CNY closed flat. INR depreciated by 0.5% as RBI cut policy rates by 40bps. It is trading higher today while other Asian currencies are trading mixed.
- **Equity:** Global indices closed mixed on the back of escalated concerns over US-China trade relations. Dax (2.9%) surged the most followed by Nikkei (1.7%). Sensex started the week on a strong footing as RBI extended the moratorium benefits in its latest MPC meet and reduced rates. Asian stocks are also trading higher, today.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.66	(1)	(7)	6	(71)	(166)
UK	0.17	0	(8)	(12)	(37)	(78)
Japan	0.00	0	1	2	6	7
Germany	(0.49)	(1)	(3)	(2)	(1)	(35)
India	5.96	(7)	(12)	(21)	(41)	(121)
China	2.66	8	(6)	17	(16)	(70)
2Y yields (Δ bps)						
US	0.17	0	(1)	(6)	(108)	(200)
UK	(0.05)	0	(6)	(12)	(46)	(69)
Japan	(0.14)	2	1	1	2	1
Germany	(0.68)	0	1	3	(1)	(3)
India	4.42	(9)	(9)	(13)	(123)	(212)
China	1.41	5	20	28	(56)	(115)
Currencies (Δ %)						
EUR	1.0898	0	(0.1)	0.7	0.4	(2.6)
GBP	1.2191	0.1	0	(1.4)	(5.7)	(3.8)
JPY	107.71	(0.1)	(0.3)	(0.2)	2.7	1.6
AUD	0.6545	0.1	0.3	2.7	(0.9)	(5.4)
INR	75.96	(0.5)	(0.1)	0.6	(5.5)	(9.3)
CNY	7.1368	0	(0.4)	(0.8)	(1.5)	(3.5)
Equity & Other indices (Δ %)						
Dow	24,465	0	(0.5)	2.9	(12.5)	(3.5)
FTSE	5,993	(0.4)	(0.9)	4.2	(16.3)	(17.5)
DAX	11,391	2.9	3.0	10.2	(12.6)	(5.6)
NIKKEI	20,742	1.7	3.0	7.7	(8.2)	(2.1)
Shanghai Comp	2,818	0.1	(2.0)	0.3	(7.0)	(2.6)
SENSEX	30,673	(0.8)	2.1	(2.1)	(24.0)	(22.7)
Brent (US\$/bbl)	35.53	1.1	2.1	65.7	(36.9)	(49.3)
Gold (US\$/oz)	1,732	(0.2)	(0.0)	0.1	4.4	34.7
CRB Index	365.5	(0.6)	0.0	5.0	(8.4)	(12.4)
Rogers Agri Index	661.2	(0.5)	0.1	3.0	(8.9)	(11.4)
LIBOR (3M)*	0.37	1	(1)	(52)	(128)	(215)
INR 5Y Swap*	5.13	(6)	2	(7)	(121)	(171)
India FII data (US\$ mn)						
	21 May	20 May	WTD	MTD	CYTD	FYTD
FII-Debt	21.4	31.1	(266.0)	(2,328.8)	(13,672.5)	(3,913.0)
FII-Equity	(27.2)	(224.7)	(760.4)	835.4	(5,798.1)	804.8

Source: Bloomberg, Bank of Baroda | *Indicates change in bps | US, UK and Indian markets were closed on 25.05.2020

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